STATEMENT OF CHARLES A. ROBERTSON
CHAIRMAN & CHIEF EXECUTIVE OFFICER
AMERICAN CRUISE LINES INC.
BEFORE
THE FEDERAL MARITIME COMMISSION
MARCH 3, 2010

Chairman Lidinsky, Members of the Federal Maritime Commission, Ladies and Gentlemen:

Thank you for inviting me to address you today. I offer these remarks on behalf of all passengers traveling from US ports and on behalf of American Cruise Lines, Inc., of which I am Chairman and Chief Executive Officer, in order to provide information which I believe is particularly useful and important, in response to the Notice of Inquiry published by the Federal Maritime Commission at 74 Fed. Reg. 65125-26 on December 9, 2009.

American Cruise Lines operates luxury overnight American Flag passenger vessels in the coastwise cruise service on both coasts of the United States. ACL owns, we believe, the newest fleet in the world, with four vessels, all built after 2002, that have berths or state room accommodations for more than fifty passengers. American Cruise Lines is quite atypical to its industry, however, and is clearly not operated on a "mass market" thesis. Our ships typically carry about 100 overnight passengers and have a much different demographic than our larger friends in the industry. Our ships call at ports whose cultural and historic attractions offer educational and aesthetic experiences appropriate to our well-travelled, sophisticated clientele.

ACL has maintained an unblemished record of financial responsibility to passengers, having always fulfilled the legal requirements and having never been subject to any default under any security posted with the Federal Maritime Commission. In fact ACL is, I believe, the most profitable cruise line in the world, measured by net profit margin, ROI, ROE, etc. and with the highest net yield per passenger day. As a comparative example, Carnival (clearly a superb company), or the other large cruise lines too for that matter, on a percentage basis are less than half as profitable as we are. The regulations

promulgated by the Commission to implement the statutory requirements for overnight passenger vessel operator financial responsibility at 46 USC § 44101 are unfortunately clearly discriminatory against smaller, American Flag operators such as ACL by requiring them to tie up a much greater proportion of their capital as security, and offer almost no protection to the vast majority of passengers departing from US ports. The requirement to post security based on UPR, now set at 110% of UPR appears superficially to be structured to impose a burden equally applicable throughout the industry and proportionate to the size of the operator. The truth is, however, far different. That is, the impact of this burden is not equally applicable or proportionate to operator size because it is limited to a $15 million maximum. In fact, the industry has some smaller domestic coastwise operators, such as ACL, which are profitable and financially strong but which do not serve the mass market, and other operators, most of them operating much larger foreign flag vessels for international voyages, which do serve the mass market. The effect of the current regulations is very different on these different groups of cruise line operators and very damaging to the smaller US Flag operators such as ACL, in at least three ways.

Firstly, the $15 million cap unfairly discriminates against smaller US flag operators, such as ACL, whose total UPR are significant but amount to less than $15 million. We smaller operators must bond out the entire amount of our UPR, and even add a 10% overage, while the large foreign flag operators whose UPR is well over $15 million (in some cases over $ 1 billion) are required to post security for only a small fraction of their UPR. This ties up operating capital of smaller operators to a much greater extent (as a proportion of total assets) than in the case of larger foreign operators. There is no good reason for this manifestly unfair discrimination in the regulations. Certainly the simple matter of the size of the operator is not a valid justification for this discrimination, as the global financial debacle of the last two years has proven that larger businesses may be just as prone to failure as smaller ones. In addition to tying up a greater proportion of the capital of the smaller, domestic operators, the current regulations also impose an unreasonable, discriminatory burden on smaller businesses and a disproportionate cost of compliance. The issuers of bonds and other securities approved to be filed with the Commission, and

escrow agents, all impose charges for their services. For smaller domestic operators that are required to post security of 110% of their UPR, those costs are indeed significant. But for larger international operators for which the bonding requirement is just an extremely small percentage of UPR, so too is the cost of compliance with the regulations a relatively small and unimportant percentage. This is just not fair to the smaller operators and actively discriminates against smaller, domestic operators on an important fiscal basis. The regulations just should not require smaller operators to bear costs of posting security which are much higher than is the case with their much larger competitors.

Secondly, passengers traveling from US ports are not equally protected. A passenger who travels, for example with Carnival, may not have any protection or may only have approximately 1% of their deposits protected, where in the case of ACL, 100% of their deposits are protected and then even an additional 10% beyond that. It's my guess that passengers traveling on cruise ships from US ports are taking false comfort in thinking that the Federal Maritime Commission is protecting their deposit when they only are being protected when they cruise with a company like ACL and have virtually no protection in the case where they cruise with one of the larger cruise lines.

Thirdly, most of their deposits in the case of ACL are double protected because of the protection afforded them by using credit cards. In the case of the larger carriers, they do not have this same level double protection because the Federal Maritime Commission bond only protects a tiny percentage of their UPR.

At American Cruise Lines we hope that these inequities and the discriminatory effect of the current regulations on small American Flag cruise lines are the reason the Commission has solicited responses to its Notice of Inquiry and an opportunity to be heard publicly today. There is an alternative means by which compliance with 46 USC § 44101 could be designed by the Commission which would not be discriminatory or unfair. It is simply this:- eliminate the $15 million cap altogether and set a percentage of UPR to apply equally to all companies, so that there is no longer this system that discriminates against small US-flag lines.

And a final extremely important point please:- the worst possible course of action would be for the Commission to merely increase the $15 million cap, as it has historically done in the past, because this would only serve to substantially increase the burden upon small operators, while having no material effect upon the large operators.

We at American Cruise Lines hope that the Commission will consider our suggested approach, and in so doing discharge its obligation to protect the public without thereby discriminating against small business.

Thank you for your consideration. We hope the foregoing comments will prove useful to the Commission in its rule making process. And I would certainly be pleased to answer any questions that you may have.

Respectfully submitted,

s/Charles A. Robertson